

Message Text

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PAGE 01 KHARTO 00607 021125Z

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ACTION EB-07

INFO OCT-01 AF-06 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

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SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 /086 W
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R 021030Z MAR 76

FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC 1236

C O N F I D E N T I A L KHARTOUM 0607

E.O. 11652: GDS

TAGS: ENRG, SU

SUBJECT: PETROLEUM MARKETERS RUNNING OUT OF CASH

1. MOBIL REPS TOLD AMBASSADOR MARCH 2 THAT MOMENT OF TRUTH FAST APPROACHING IN EXTENDED MANEUVERING WITH GOS OVER PAST TWO YEARS RE COMPENSATION FOR CRUDE PRICE INCREASES OF 1973/74. SINCE GOS HAS SO FAR BARRED RETAIL PRICE INCREASES, PETROLEUM COMPANIES HAVE BEEN BUYING CRUDE FROM GOS (AND PAYING SUDANESE DUTY) AT THE NEW HIGH RATE, MARKETING PRODUCT AT THE OLD LOW RATE AND COVERING THE DIFFERENCE THROUGH A SERIES OF UNPAID "SPECIAL ACCOUNTS" UNDER WHICH GOS ALREADY OWES MOBIL SOME \$4.5 MILLION. EMPHASIZING THE COMPANY'S INCREASINGLY PARLOUS CASH POSITION AND RELUCTANCE ACCEPT A SECOND BANK OVERDRAFT, MOBIL REPS OPINED THAT ALL FOUR LOCAL DISTRIBUTORS (OTHERS ARE SHELL, CFP AND AGIP) WOULD RUN OUT OF CASH WITHIN SIX MONTHS.

2. TO MEET SITUATION, MOBIL HAS DECIDED IT WILL DEFER NEXT CRUDE PAYMENT DUE GOS MARCH 10 FOR SOME TEN DAYS IN ORDER TO DERIVE FROM SALES THE CASH NEEDED TO PAY IT. COMPANY PLANS SAME TACTIC WITH SECOND CRUDE PAYMENT DUE ABOUT APRIL

1. WHEN THIRD PAYMENT FALLS DUE IN MID-APRIL, MOBIL PLANS NOT TO PAY CERTAIN ITEMS ON THE BILL. THESE WILL APPROXIMATELY
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PAGE 02 KHARTO 00607 021125Z

BALANCE THE UNFAVORABLE FUTURE GROWTH IN THE STABILIZATION FUND

OWED MOBIL BY GOS BUT WILL NOT RESOLVE PROBLEM OF \$4.5 MILLION ARREARAGES. WHILE MININDUDSTRY BADR AL-DIN SULIMAN HAS BEEN PROMISING COMPANIES SOME RELIEF BY END FEBRUARY, NOTHING HAS YET MATERIALIZED. IF GOS CONTINUES OPPOSED TO RETAIL PRICE INCREASES, MOBIL REPS BELIEVE SUDANESE MUST UNDERSTAND THAT THEY WILL HAVE TO UNDERWRITE THE LOSS THROUGH PERMITTING MOBIL TO UNDERPAY ITS PURCHASES OF CRUDE (WHICH SUDAN RECEIVES FROM IRAQ ON GOVERNMENT-TO-GOVERNMENT BASIS). MOBIL REPS SAID IT WAS THEIR IMPRESSION THAT OTHER DISTRIBUTORS WILL BE TAKING SIMILAR, BUT UNCOORDINATED ACTION.

3. FOREIGN EXCHANGE POSITION ALSO BAD BUT NOT AS CRITICAL AS FOREGOING. MOBIL REPS STATED THEY HAVE RECEIVED NO FOREIGN EXCHANGE FOR NON-CRUDE IMPORTS SINCE LAST AUGUST.

4. MOBIL REPS CONCLUDED THAT THEY DID NOT WISH EMBASSY INITIATE ANY ACTION BUT MERELY HOPED AMBASSADOR WOULD BE IN POSITION RESPOND IN EVENT MATTER IS RAISED BY SUDANESE OFFICIALS. THEY SAID THEY WERE AWARE GOS RESPONSE TO DELAYED CRUDE PAYMENT MIGHT CONCEIVABLY BE TO NATIONALIZE COMPANY'S LOCAL ASSETS BUT WERE PREPARED FOR THIS EVENTUALITY. BREWER

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